

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Carrier Branch**

RESOLUTION T-16806

R E S O L U T I O N

**Resolution T-16806. The Ponderosa Telephone Company
(U-1014-C). Order Correcting Inadvertent Error in Resolution T-16771,
Dated October 30, 2003. General Rate Case.**

Summary

This Executive Director Action Resolution corrects The Ponderosa Telephone Company (Ponderosa) General Rate Case Resolution T-16771 due to an inadvertent error in applying escalation factors. In that Resolution, the Commission adopted a) in intrastate ROR of 10%, b) an intrastate operating expense including taxes of \$11,748,933, and c) an authorized CHCF-A support for test year 2004 of \$3,293,749.

This resolution authorizes a corrected intrastate operating expense including taxes of \$11,845,533, an increase of \$96,600. This resolution authorizes CHCF-A support of \$3,391,531 an increase of \$97,782 over that authorized by Resolution T-16771.

Background

Commission Resolution A-4661, adopted on March 9, 1977, authorized the Executive Director to sign, on behalf of the Commission, orders involving the correction of typographical and clerical errors, and other obvious, inadvertent errors and omissions, in previous orders of the Commission.

The draft resolution that was circulated pursuant to Public Utilities Code 311(g) had correct calculations for escalation factors. When the comments were incorporated into the resolution, TD also changed the escalation factors. In the process of incorporating the revised escalation factors in the spreadsheet, TD inadvertently entered them in a way that did not compound the factors for calculation of "constant dollars." This inadvertent error underestimated the expenses for the test year by

\$96,600. Included in this \$96,600 error are other associated expense changes such as income taxes. TD corrected the error and recalculated the Summary of Earnings.

Discussion

The revised tables attached to this resolution reflect the proper expense levels and CHCF-A support. These should replace the tables that were attached to Resolution T-16771.

Findings

1. Resolution T-16771 was circulated to the parties for comments.
2. During a revision to the final Resolution, the escalation factors were changed.
3. The TD analyst inadvertently entered the revised escalation factors in a method which caused an error in calculation of the estimated expenses for the test year 2004.
4. This obvious error in calculation is of the type anticipated by Resolution A-4661, dated, March 9, 1977, which authorized the Executive Director to issue a corrected resolution.
5. The Appendices attached to this resolution shall replace those attached to Resolution T-16771.

THEREFORE, IT IS ORDERED that:

1. The revised Appendices A through D attached to this resolution are adopted and supercede the ones attached to Resolution T-16771.
2. The revised intrastate revenues, expenses, and rate base amounts for test year 2004 identified in Appendix C, column (e) are adopted for The Ponderosa Telephone Company.
3. The Ponderosa Telephone Company's CHCF-A draw for 2004 is \$3,391,531 including a one-time amount of \$48,156 due to the WorldCom Bankruptcy.

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This Resolution is effective today.

I hereby certify that the Executive Director of the Public Utilities Commission adopted this Resolution on November 7, 2003.

/s/ WILLIAM AHERN

WILLIAM AHERN
Executive Director

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APPENDIX A (Revised)
PONDEROSA TELEPHONE COMPANY
TOTAL COMPANY RESULTS OF OPERATIONS
PRESENT RATES -- TEST YEAR 2004

	Ponderosa	TD	Utility Exceeds TD	
	a	b	Amount c=a-b	Percent d=c/a
<u>OPERATING REVENUES:</u>				
1 Local Network Services	2,771,826	2,802,873	(31,047)	(1.12)
2 Local Services - CHCF-A	4,101,158	4,101,158	0	0.00
3 Interstate USF	4,710,825	5,436,539	(725,714)	(15.41)
4 Long Distance Network				
5 Intrastate Access	2,407,869	2,383,161	24,708	1.03
6 Interstate Access	5,647,422	5,727,021	(79,599)	(1.41)
7 Miscellaneous	399,797	400,897	(1,100)	(0.28)
8 LESS: Uncollectible Rev.	(76,562)	(10,178)	(66,384)	86.71
9 Total	19,962,335	20,841,471	(879,136)	(4.40)
<u>OPERATING EXPENSES:</u>				
10 Plant Specific	3,120,329	2,815,649	304,680	9.76
11 Plant NonSpecific (less depr.)	1,900,580	1,919,315	(18,735)	(0.99)
12 Depreciation & Amortization	5,766,351	5,766,351	0	0.00
13 Customer Operations	1,082,844	1,002,778	80,066	7.39
14 Corporate Operations	2,726,920	2,585,406	141,514	5.19
15 Subtotal	14,597,024	14,089,499	507,525	3.48
16 State Inc. Taxes	435,292	447,418	(12,126)	(2.79)
17 Federal Income Taxes	1,526,202	1,568,716	(42,514)	(2.79)
18 Taxes Other Than Income	349,793	349,793	0	0.00
19 Total Expenses	16,908,311	16,455,426	452,885	2.68
 20 Net Operating Income	 3,054,024	 4,386,045	 (1,332,021)	 (43.62)
 <u>RATE BASE</u>				
21 Telephone Plant-in-Service	75,940,147	76,531,247	(591,100)	(0.78)
22 Tel. Plt Under Construction	3,837,300	3,837,300	0	0.00
23 Mat & Supplies	313,177	307,785	5,392	1.72
24 Working Cash	1,050,211	1,023,053	27,158	2.59
25 Less: Deprec. Res.	(47,004,469)	(47,004,469)	0	0.00
26 Def. Taxes	(522,100)	(522,100)	0	0.00
27 Customer Deposit	(13,100)	(13,100)	0	0.00
28 Total Rate Base	33,601,166	34,159,716	(558,550)	(1.66)
 29 Rate of Return	 9.09%	 12.84%		

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APPENDIX B (Revised)
PONDEROSA TELEPHONE COMPANY
RESULTS OF OPERATIONS AT PRESENT RATES
INTERSTATE AND INTRASTATE
TEST YEAR 2004

	Ponderosa			TD		
	Total	Interstate	Intrastate	Total	Interstate	Intrastate
	a	b	c=a-b	a	b	c=a-b
OPERATING REVENUES:						
1 Local Network Services	2,771,826		2,771,826	2,802,873		2,802,873
2 Local Services - CHCF-A	4,101,158		4,101,158	4,101,158		4,101,158
3 Interstate USF	4,710,825		4,710,825	5,436,539		5,436,539
4 Long Distance Network	0		0	0		0
5 Intrastate Access	2,407,869		2,407,869	2,383,161		2,383,161
6 Interstate Access	5,647,422	5,647,422	0	5,727,021	5,727,021	0
7 Miscellaneous	399,797	3,634	396,163	400,897	3,685	397,212
8 LESS: Uncollectible Rev.	(76,562)		(76,562)	(10,178)	0	(10,178)
9 Total	19,962,335	5,651,056	14,311,279	20,841,471	5,730,706	15,110,765
OPERATING EXPENSES:						
10 Plant Specific	3,120,329	909,638	2,210,691	2,815,649	790,443	2,025,206
11 Plant NonSpecific (less depr.)	1,900,580	550,545	1,350,035	1,919,315	526,662	1,392,653
12 Depreciation & Amortization	5,766,351	1,593,693	4,172,658	5,766,351	1,593,693	4,172,658
13 Customer Operations	1,082,844	355,478	727,366	1,002,778	251,487	751,291
14 Corporate Operations	2,726,920	754,277	1,972,643	2,585,406	715,134	1,870,272
15 Subtotal	14,597,024	4,163,631	10,433,393	14,089,499	3,877,419	10,212,080
16 State Income Taxes	435,292	135,397	299,895	447,418	74,904	372,514
17 Federal Income Taxes	1,526,202	474,724	1,051,478	1,568,716	262,625	1,306,091
18 Taxes Other Than Income	349,793	93,087	256,706	349,793	93,087	256,706
19 Total Expenses	16,908,311	4,866,839	12,041,472	16,455,426	4,308,035	12,147,391
 20 Net Operating Revenue	 3,054,024	 784,217	 2,269,807	 4,386,045	 1,422,671	 2,963,374
 RATE BASE						
21 Telephone Plant-in-Service	75,940,147	20,835,318	55,104,829	76,531,247	20,997,496	55,533,751
22 Tel. Plt Under Construction	3,837,300	1,052,821	2,784,479	3,837,300	1,052,821	2,784,479
23 Mat & Supplies	313,177	81,719	231,458	307,785	80,312	227,473
24 Working Cash	1,050,211	288,488	761,723	1,023,053	280,707	742,346
					(13,183,202	
25 Less: Deprec. Res.	(47,004,469)	(13,183,202)	(33,821,267)	(47,004,469))	(33,821,267)
26 Def. Taxes	(522,100)	(139,391)	(382,709)	(522,100)	(139,391)	(382,709)
27 Customer Deposit	(13,100)	(3,497)	(9,603)	(13,100)	(3,497)	(9,603)
28 Total Rate Base	33,601,166	8,932,256	24,668,910	34,159,716	9,085,246	25,074,470
 29 Rate of Return	 9.09%	 8.78%	 9.20%	 12.84%	 15.66%	 11.82%

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APPENDIX C (Revised)
PONDEROSA TELEPHONE COMPANY
INTRASTATE RESULTS OF OPERATION
AT ADOPTED RATE OF RETURN
TEST YEAR 2004

	Ponderosa	TD	Utility Exceeds TD		Adopted
	a	b	Amount c=a-b	Percent d=c/a	e
<u>OPERATING REVENUES:</u>					
1 Local Network Services	2,771,826	2,802,873	(31,047)	(1.12)	2,802,873
2 Local Services - CHCF-A	4,444,838	3,343,375	1,101,463	24.78	3,343,375
3 Interstate USF	4,710,825	5,436,539	(725,714)	(15.41)	5,436,539
4 Long Distance Network					
5 Intrastate Access	2,407,869	2,383,161	24,708	1.03	2,383,161
6 Interstate Access	0	0	0		0
7 Miscellaneous	396,163	397,212	(1,049)	(0.26)	397,212
8 LESS: Uncollectible Rev.	(76,562)	(10,178)	(66,384)	86.71	(10,178)
9 Total	14,654,959	14,352,982	301,977	2.06	14,352,982
<u>OPERATING EXPENSES:</u>					
10 Plant Specific	2,244,353	2,025,206	219,147	9.76	2,025,206
11 Plant NonSpecific (less depr.)	1,379,059	1,392,653	(13,594)	(0.99)	1,392,653
12 Depreciation & Amortization	4,172,658	4,172,658	0	0.00	4,172,658
13 Customer Operations	811,278	751,291	59,987	7.39	751,291
14 Corporate Operations	1,972,643	1,870,272	102,371	5.19	1,870,272
15 Subtotal	10,579,990	10,212,080	367,910	3.48	10,212,080
16 Operating State Inc. Taxes	299,895	305,526	(5,631)	(1.88)	305,526
17 Operating Fed Income Taxes	1,051,478	1,071,221	(19,743)	(1.88)	1,071,221
18 Taxes Other Than Income	256,706	256,706	0	0.00	256,706
19 Total Operating Taxes	1,608,079	1,633,453	(25,374)	(1.58)	1,633,453
20 Net Operating Revenue	2,466,890	2,507,449	(40,559)	(1.64)	2,507,449
<u>RATE BASE</u>					
21 Telephone Plant-in-Service	55,104,829	55,533,751	(428,922)	(0.78)	55,533,751
22 Tel. Plt Under Construction	2,784,479	2,784,479	0	0.00	2,784,479
23 Mat & Supplies	231,458	227,473	3,985	1.72	227,473
24 Working Cash	761,723	742,346	19,377	2.54	742,346
25 Less: Deprec. Res.	(33,821,267)	(33,821,267)	0	0.00	(33,821,267)
26 Def. Taxes	(382,709)	(382,709)	0	0.00	(382,709)
27 Customer Deposit	(9,603)	(9,603)	0	0.00	(9,603)
28 Total Rate Base	24,668,910	25,074,470	(405,560)	(1.64)	25,074,470
29 Rate of Return	10.00%	10.00%			10.00%

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Appendix D (Revised)
Ponderosa Telephone Company
Adopted Net-to-Gross Multiplier
Intrastate Revenue Requirement and CHCF-A Support
Test Year 2004

1	Gross Revenues	1.0000
2	Uncollectibles	included
3	Net Revenues	1.0000
4	State Income Tax rate	8.84% 0.0884
5	Fed Taxable Income (Ln 3 less Ln 4)	0.9116
6	Federal Income Tax Rate	34.00% 0.3099
7	Net Income (Ln 5 less Ln 6)	0.6017
8	Net to Gross Multiplier (Ln 1 /Ln 7)	1.6621
9	Adopted Rate Base	25,074,470
10	Net Revenues adopted at 10.00% (Ln 9 x 10%)	2,507,450
11	Net Revenues at present rates	2,963,374
12	Change in Net Rev. (Ln 10 less Ln 11)	(455,925)
13	Gross Revenue Change Required	(757,783)
14	Change in Revenue from proposed rate changes	0
15	Revenue Deficit to be funded by CHCF-A	(757,783)
16	2004 CHCF-A Support at present rates	4,101,158
17	2004 CHCF-A Support at proposed rates	3,343,375
18	Additional Amount for WorldCom Bankruptcy	48,156
19	Total CHC-A Support for 2004	3,391,531